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Reserve

FARMERS' NEWSLETTER

Wheat

1981 Crop Outlook

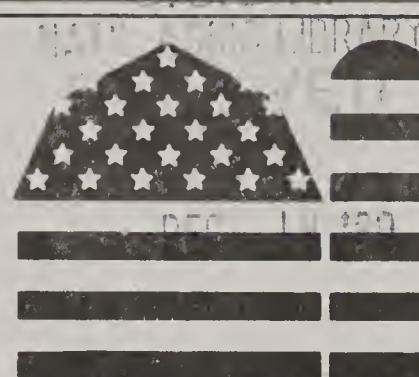
Now that a bumper 1980 U.S. wheat crop is in the bin, thoughts turn to prospects for 1981. However, not until the Crop Reporting Board releases its Small Grains report on December 23, will there be firm figures on which to judge the size of the 1981 winter wheat crop.

As fall planting of winter wheat progresses--farmers had seeded over half by October 1--indications remain strong of larger acreages in many areas. Even where dry soil conditions persisted from the summer drought, wheat was "dusted in" in anticipation that fall rains would provide good stand development before winter dormancy begins.

Seeding conditions in the Eastern soft winter wheat belt were almost ideal, with serious dry conditions confined to the Southeast. But farmers there can delay planting a month or more, giving a chance for fall moisture to improve prospects.

Of course, there will be no indication of the size of the spring wheat crop until the Prospective Plantings report on January 21, 1981. So while it's very early to begin speculating on the size of next year's crop, attractive farm prices and no set-aside requirements could produce a harvest near this year's 2.36 billion bushels.

A reminder--while there's no set-aside requirement for next year, you must plant no more wheat than was planted



October 80/W-15

CURRENT SERIAL RECORDS

for harvest in 1980 to be eligible for full target price payments.

Wheat Prices Edge Above Year-Ago Level

During June-July, harvesting of the record 1980 crop and prospect of record supplies kept wheat prices below 1979 levels. But cautious farmer marketing and a pickup in export sales fostered August price advances to the point where wheat now sells above last year's mark.

On the average, farmers are now getting slightly over \$4 a bushel. For the crop year, farm prices of wheat are forecast to range from \$3.95 to \$4.25 per bushel. This would be 10 to 40 cents higher than last season's \$3.82.

Here are some of the reasons why prices should continue strong:

- Continued strong export sales.
- Further crop deterioration in countries that are major exporters.
- Expanded use of wheat for feed.
- Increased participation in the farmer-owned reserve program--if the new supplemental loan benefits become effective.

The Farmers' Newsletter is written and published by USDA's Economics and Statistics Service and approved by the World Food and Agricultural Outlook and Situation Board.

Principal contributor to this issue:
Allen G. Schienbein (202) 447-8776.

The next wheat newsletter is scheduled for mid-January.

Farmers may get a further boost in returns when Congress returns from its election recess. A bill is very close to passage that would set the loan rate at \$3.30 a bushel for wheat placed in the farmer-owned reserve.

Interest Rate Cut

The interest rate USDA charges farmers for farm storage facility and drying equipment loans was lowered on Sept. 29 to 12.5 percent, down one-half point.

Release Status Ends

When loan rates were raised to \$3.00 a bushel for 1980 wheat, the release and call price levels for wheat in the farmer-owned reserve were automatically increased. Currently, the release is \$4.20 per bushel and the call is \$5.25.

By the end of August, the new release price stood well above the national average farm price, so the reserve release status came to an end as of September 1. What does this mean?

- The sale of any wheat under the reserve contract will incur a penalty--all prepaid payments for storage, plus interest, would have to be repaid,

U.S. PRODUCTION RISES A TENTH

	1978/79	1979/80 Prelimi- nary	1980/81 Forecast*
<i>Million bushels</i>			
Supply:			
Beginning stocks . . .	1,177	925	901
Production.	1,798	2,142	2,362 ± 30
Imports	1	2	2
Total supply. . . .	2,976	3,069	3,265 ± 40
Use:			
Food.	591	596	605 ± 5
Seed.	87	101	100 ± 5
Feed.	179	96	125 ± 50
Exports.	1,194	1,375	1,525 ± 100
Total use.	2,051	2,168	2,365 ± 125
Ending stocks.	925	901	910 ± 125
<i>Dollars per bushel</i>			
Avg. farm price	2.98	3.82	3.95-4.25

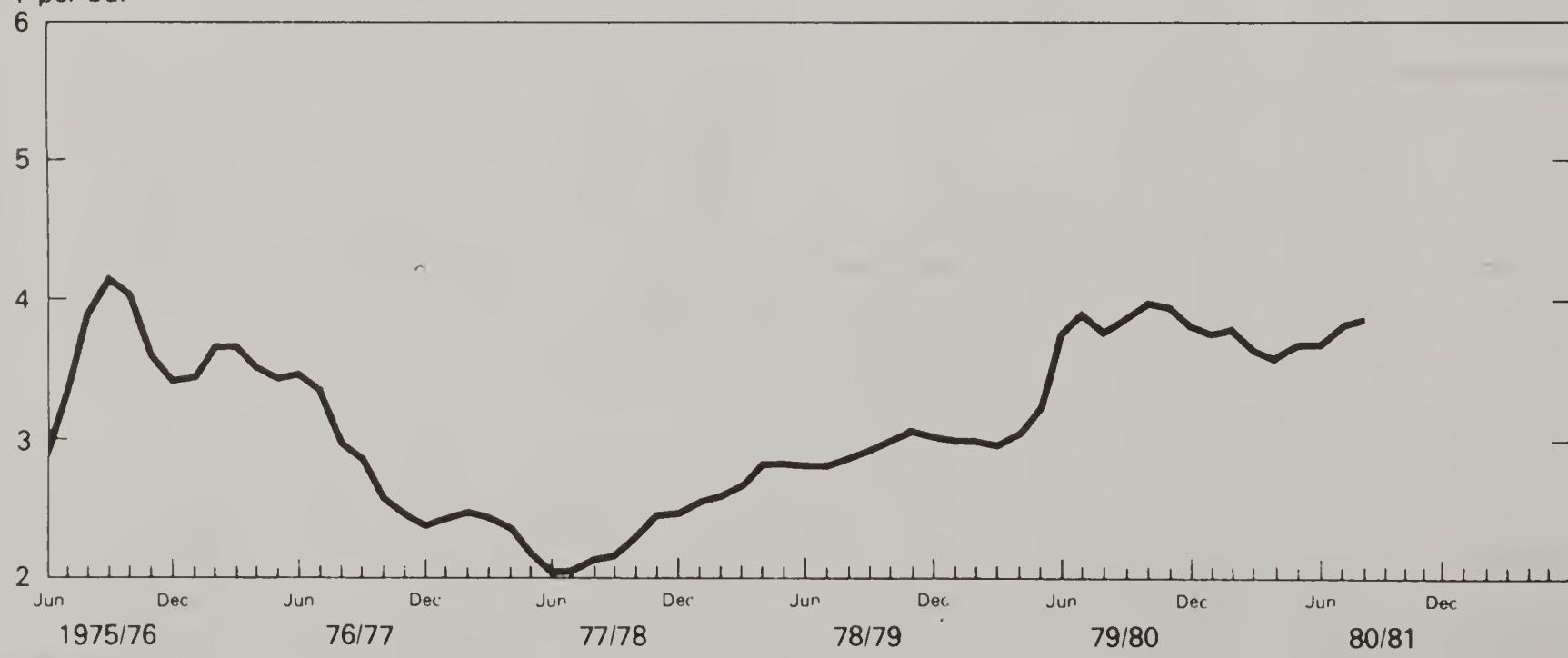
As of October 14, 1980.

along with the original loan value and interest.

- Storage payments, which would have ended as of August 31, will continue.
- Any wheat you placed in the reserve after January 7, 1980, that is under a \$4.50-per-bushel release obligation can

FARM PRICES EXPECTED TO CONTINUE HIGHER

\$ per bu.



still be shifted to a contract having the \$4.20 release level.

- In effect, readily marketable wheat supplies have been reduced by nearly 225 million bushels. This helps draw excessive stocks from the marketplace and adds to wheat price strength.
- If you have established your program eligibility, you can still place your 1980 crop directly into the reserve. This will help further price advances 'til the \$4.20 release price is reached.

Large World Crop Ahead

Prospects for the 1980 world wheat harvest, which is nearing completion in the Northern Hemisphere, indicate production may be nearly 5 percent larger than last year's short crop.

After last year's poor harvest, production in the USSR is rising to account for most of the increase. But unfavorable harvest weather likely will reduce the quality of the Soviet crop.

Farmers in Eastern and Western Europe are also taking in larger crops. Declines are expected in India and China. Canada's crop outlook has

EXPORT PROSPECTS STRENGTHEN

	1978/79	1979/80	1980/81*
	<i>Million bushels</i>		
Hard winter	610	725	760
Hard spring	232	217	185
Soft red	95	154	280
Soft white	185	196	225
Durum	72	83	75
TOTAL	1,194	1,375	1,525

*October 1 forecast.

improved considerably since the early season drought was broken.

Southern Hemisphere wheat crops got off to a precarious start with flooding in Argentina and drought in Australia. Argentina's prospects improved earlier, but dry weather again plagues output prospects, while drought may devastate Australia's crop. By November, harvesting will be underway in the Southern Hemisphere, where the total wheat crop may run below a year ago.

World wheat consumption will continue to expand during 1980/81 and probably top production for the second straight year. Meantime, world wheat stocks are expected to decline by nearly a tenth this year to their lowest levels since the mid-1970's.

While ending stocks will be up slightly in the United States, levels in other major exporting countries--Australia, Canada, and Argentina--will be the lowest in 6 years. This again places the United States in a good position to fill the gap in a tightening situation of exportable wheat supplies.

Exports Doing Well

A short 1979 world wheat crop triggered a record volume of trade in world markets. As a result, the United States, with large exportable supplies, put in a record 1979/80 export season.

WORLD WHEAT PRODUCTION UP

	1978/79	1979/80	1980/81
	<i>Million metric tons</i>		
Beginning stocks	84.0	101.5	78.8
Production			
Canada	21.1	17.2	18.6
Australia	18.1	16.0	16.0
Argentina	8.1	8.1	8.4
W. Europe	58.5	55.6	61.8
USSR	120.8	90.1	101.0
E. Europe	35.8	27.6	34.9
India	31.7	35.0	30.5
Other foreign	104.8	111.8	109.7
Total foreign	398.8	361.4	375.9
United States	48.9	58.3	64.3
World total	447.7	419.7	440.1
Utilization	430.2	442.4	446.9
Ending stocks	101.5	78.8	72.0

As of October 10, 1980.

FARMERS' NEWSLETTER



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Despite prospects for a considerably improved 1980 world wheat harvest, import demand is expected to exceed last year's record 85 million metric tons by around 4 million. How much of this expanded market the United States may capture depends on available supplies in exporting countries and their export sales policies.

But judging from continued growing demand and reduced availability in some exporting countries, our share may rise to around 45 percent of total global wheat trade. The current estimate is around 1.525 billion bushels, exceeding last year's record 1.375 billion.

During harvest, our export commitments (shipments plus outstanding sales) lagged last year's pace, when Soviet purchases were exceptionally large.

However, by October, continued heavy buying by China and stepped-up sales to the USSR pushed 1980/81 export commitments ahead of last year. During June-September, over 60 percent of projected 1980/81 exports had been shipped or committed.

This leaves less than 600 million bushels to be sold and shipped for the remaining 8 months of the marketing year. Two inferences may be drawn:

1) average monthly export business may be due for a slowdown (which usually happens during the winter months), or

2) total wheat exports--already forecast at a record--may be even stronger than earlier expected.

Coming Survey to Indicate Size of 1981 Winter Wheat Crop

For the second straight year, producers didn't have to set aside acreage this fall to be eligible for the farmer-owned reserve, commodity loans, and target price protection.

The extent this affected their winter wheat plantings will be measured in a major USDA survey in late November and early December.

Farmers in all major wheat States will be contacted in person, by telephone, or receive a mail questionnaire. Responses will be confidential.

State and national estimates of acreage planted this fall and potential 1981 production will be published by USDA's Crop Reporting Board on December 23.
